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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [CI](#)
SUBJECT: DEPUSTR VERONEAU TELLS FONMIN FOXLEY MORE NEEDED
FROM CHILE ON IPR; TWO ALSO DISCUSS DOHA ROUND PROSPECTS
AND REGIONAL TRADE PACTS

Classified By: Ambassador Craig Kelly for reasons 1.5 (B and d).

Summary

1. (C) After first discussing common interests in Doha and regional FTAs, Deputy USTR Veroneau told FonMin Foxley January 24 that while just concluded U.S.-Chile Trade Commission talks had overall been very good, the issue of Chile's performance on IPR remained problematic. Placing Chile on the USTR's Priority Watch List had been a "tough decision," but better IP enforcement is important not only for purposes of the FTA but also Chile's own best interests. The GOC had to demonstrate political will to resolve the issue; the status quo was "not sustainable." Veroneau provided the FonMin his impressions of the state of play on the Doha Round. He indicated he was hopeful that a new sense of urgency would lead to an agreement, but that substantive gaps remained. He said a Doha agreement could be reached only if it led to "meaningful new trade flows." Both agreed a Doha agreement would help in the light of growing economic populism. Foxley noted his doubts about an eventual Doha agreement, but added he saw potential in a "second best scenario" that gave impetus to regional trade pacts. Foxley underscored the importance to Latin America of U.S. ratification of the Peru/Colombia FTA's and said Chile planned to weigh in with the U.S. Congress. End summary.

2.(U) Deputy USTR John Veroneau met with Foxley on the margins of the Third U.S.-Chile Trade Commission talks, convened on January 24. Ambassador Kelly, Assistant USTR for the Americas Everett Eissenstat, and E/POL Counselor joined Veroneau for this meeting. Foxley's Chief of Staff, as well as the MFA's Director of Multilateral Economic Affairs, Igor Garafulic, also sat in.

IPR: The Cloud In a Sunny Sky

13. (C) Veroneau told Foxley that the meeting of the U.S.-Chile Trade Commission had gone well, although challenges remained. The principal sticking point was IPR; Chile had the potential to be a leader in innovation but as long as the political will was lacking to enforce IPR, Chile would find itself in an "unsustainable" position. Chile's stance was not only in violation of the FTA, but also not in Chile's best interests. With a note of irony in his voice, Foxley said Veroneau was being "very diplomatic." The FonMin insisted, however, that Chile is not satisfied with the

status quo. "We are moving forward, if not at the speed you want. There are political constraints and we must respect each others rythms." Foxley pointed to new legislation on piracy ("admittedly our laws here have been awful") and acknowledged Chile had to do better in this sphere. On the issue of pharmaceuticals and linkage, the U.S. had to understand that Chile took a different view of the problem. But the GOC will continue a dialogue. "We don't like being on this (priority watch) list. We're not terrible."

¶4. (C) Garafulic argued that while it was true that piracy is a problem, it is incumbent on the U.S. to supply examples of Chilean failing, so that they can be addressed. Veroneau replied that while it was important to substantiate claims, both Chile and the U.S. know there's a problem. The U.S. should not have to produce volumes of cases - "we're not the police here" - to get action. The challenge is finding the line between legitimate requests for information and making demands on the U.S. that suggest a lack of political will. Foxley said that changes in technology required constant changes in legislation; Chile is sometimes behind the curve. "It's true that we should not put up obstacles with petty requests for information, but we're moving in the right direction. It would be wrong," he warned, to "keep hitting us on the head." Veroneau stressed that while the USG did not want to beat Chile on the head, it could not accept the status quo.

Divergence on Doha

¶4. (C) Foxley asked Veroneau his views on the suspended Doha

Round talks. Veroneau said he sensed a "different atmosphere and sense of urgency," and, as a result, he was "more hopeful than (he) was last fall." Several key WTO members were stepping back from the precipice, recognizing that a total failure of the Doha talks could undermine support for world trade. The USG also recognized that it could not expect a perfect agreement. The key issue would be whether a Doha agreement led to meaningful new trade flows. This was the yardstick the USG would have to use to convince Congress on Doha. Moreover, without a Doha accord, it would be harder to get a TPA extension. WTO members must recommit global support for free trade.

¶5. (C) In reply, the FonMin expressed his skepticism: "I just don't see movement." He had spoken with EU Trade Commissioner Peter Mandelsohn and came away doubtful. Chirac was playing it tough. While Brazil was trying to keep discipline in the G-20, India would remain a real problem as it sought to protect its small farmers. In short, it was going to be quite difficult to reach an accord.

Regional Trade Pacts as Alternative

¶6. (C) Chile is looking to "second-best scenarios" should Doha fail. Foxley was encouraged by U.S. support for the idea of an APEC FTA. He himself favored the establishment of regional trade agreements. Foxley underscored the importance of the U.S. Congress approving FTAs with Peru and Colombia. Failure to do so would send a "very negative signal" throughout Latin America. Chile is trying to send a message that the path it is following - open trade, open markets - is the only one to lead to political stability and a healthy democracy. If countries on the same path don't get a sympathetic hearing in the U.S. Congress, there will be a backlash. Chile can't be indifferent to this and will not sit on its hands.

¶7. (C) Veroneau agreed that it would be "devastating" if Congress rejected FTA's for Peru, Colombia, and Panama. But he expected Congress to see the geo-political importance of keeping Latin America committed to free trade and open

markets. Chile had been helpful in educating the U.S. Congress when CAFTA-DR was being negotiated. Foxley replied that Chile planned to weigh in this time as well.

18. (C) Veroneau added that President Bush wants to expand the benefits of FTAs and consolidate them where possible. While the administration had not yet discussed this with Congress, he had been authorized by the White House to explore the idea with friends in the region. Foxley replied that it was 'an excellent idea that we support.' He added that he had been in discussion with the International Development Bank (IDB), to study bilateral accords in Asia, as a model for this region. Key issues were rules of origin, dispute resolution, and investment. Chile has some experience in dealing with Asia and these issues and wants to share its knowledge with its regional neighbors. "If we can reach a broader agreement to include North America, all to the better."

19. (U) Ambassador Veroneau has cleared this message.
KELLY